

Research Bulletin

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DVO—Processing Services for the Manufacturing Sector

DVO is a subsidiary of Deutsche Babcock Group, offering processing services predominantly for organisations in the mechanical engineering sector. DVO is based in Oberhausen in Germany, but has a wide-area network covering locations as diverse as Hamburg, Berlin, Munich and Cologne.

DVO's recent revenue growth is shown in Exhibit 1.

Exhibit 1			
DVO Revenues			
	1991	1992	1993
Revenues (DMm)	63.5	70.5	72
Growth (%)	--	11	3
Source: DVO			

Seventy percent of DVO's revenues are captive revenues derived from fellow subsidiaries within Deutsche Babcock.

Offering SAP R/2 and CADAM Based Services

Exhibit 2 provides a breakdown of DVO's revenues by activity.

Exhibit 2		
Revenue Breakdown by Activity, 1993		
Activity	Revenues (DMm)	Proportion of Revenues (%)
Datcentre service	53	74
Consulting services	15	21
Education & training	4	5
Total	72	100
Source: DVO		

The majority of DVO's revenues are derived from its SAP R/2 and CADAM based processing services. The company

has offered CAD and SAP outsourcing services since 1979 and now has approximately 110 customers for these services.

DVO regards cost savings as the major driving force behind outsourcing. The company specialises in analysing its client costs and aims to offer them savings of 25% through its service offerings.

In some instances, for example Sempell AG, DVO replaces an SAP service run from an existing in-house data centre with SAP outsourcing services run from one of DVO's own data centres. In other instances, DVO provides clients with a complete restructuring of their IS activities. DVO targets general management not IS management in its sales process.

DVO's pricing for its SAP outsourcing services is based on an initial project fee followed by a usage fee. However DVO does not price its usage fees on CPU utilisation, but prefers to base its pricing on the following:

- number of terminals used
- number of transactions
- memory capacity
- telecommunications usage
- manpower costs.

DVO is planning strategic partnerships to attain the processing capacity required for major projects and has recently acquired a data centre in Aachen (AS/400) to serve midrange customers.

The locations of DVO's major data centres are listed in Exhibit 3.

Exhibit 3

Employee Breakdown

Location	Number of Personnel Employed
Oberhausen	225
Berlin	57
Magdeburg	37
Aachen	10
Total	329

Source: DVO

The data centre in Magdeburg was acquired as a result of a contract with MAW Madgeburger Armaturenwerke AG.

DVO employs six outsourcing sales personnel.

Ninety per cent of DVO's revenues are derived from companies in the manufacturing sector. However the remaining ten per cent are derived from distribution sector organisations and employment agencies.

This profile is issued as part of INPUT's Outsourcing Information Systems Programme for the information services industry. If you have any questions or comments on this profile, please call your local INPUT organisation or Peter Lines at INPUT, 17 Hill Street, Mayfair, London W1X 7FB England. (071) 493 9335, Fax (071) 629 0179